



MANAGEMENT LETTER POINTS

Morgan County School District
West Liberty, Kentucky

In planning and performing our audit of the financial statements of the Morgan County School District for the year ended June 30, 2015, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 13, 2015. This letter does not affect our report dated November 13, 2015, on the financial statements of the Morgan County School District. The conditions observed are as follows:

MORGAN COUNTY HIGH SCHOOL

1-15

Statement of Condition: Several instances of teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: The principal will meet with faculty and staff to review important items of "Red Book" training to include that all faculty and staff are to turn in money daily to the financial secretary. The principal will also reinforce to the faculty and staff to encourage all students to turn money into them the very next time of contact.

2-15

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the

ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management's Response to the Recommendation: The principal will meet with faculty and staff to review important items of "Red Book" training to include that all faculty and staff must sign the correct responsibility of each staff member helping with ticket sales. The principal will also review that two workers are needed at each ticket sales gate with each worker having separate responsibilities

MORGAN COUNTY MIDDLE SCHOOL

3-15

Statement of Condition: Several instances of teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: All staff will turn in monies to Financial Secretary on a daily basis.

4-15

Statement of Condition: Instances of multiple sources of receipts being combined on one receipt and not writing a receipt to each staff member or source turning in monies.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer. The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation: Receipts will be issued to all persons turning in money.

5-15

Statement of Condition: Students are not signing their own names on the Multiple Receipt Form.

Recommendation for Correction: Students third grade and above must sign the Multiple Receipt Form when turning in money to the teacher/sponsor.

Management Response to the Recommendation: All students will sign their own name on multiple receipts when turning in money.

MORGAN CENTRAL ELEMENTARY

6-15

Statement of Condition: Instances of receipts not being written to the person who collected the money and signed the Multiple Receipt Form.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer. The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation: A receipt will be given to every person who turns in money, receipt will be signed by bookkeeper. All students in 3rd grade and older will sign their own names.

7-15

Statement of Condition: Lack of segregation of duties in the current process of handling mail.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money and mail. All mail should be sorted and opened by someone other than the school treasurer. If checks are in the mail that is distributed to the school treasurer, the checks shall be recorded in a log or on a Multiple Receipt Form (F-SA-6) by someone other than the school treasurer; then submitted to the school treasurer.

Management Response to the Recommendation: Mail will be picked up by a classified staff member and received in by the school attendance clerk, who will complete a multiple receipt form. At that time money, the money and the multiple receipt form will be submitted to the school bookkeeper

8-15

Statement of Condition: Paid invoices are not consistently being filed in check numerical order by month.

Recommendation for Correction: The school treasurer shall file all documents for a disbursement together by month, in check numerical order.

Management's Response to the Recommendation: Paid invoices will be filed by check number instead of by PO number.

9-15

Statement of Condition: Activity Fund account "Staff Generated" ended the fiscal year (June 30) with a deficit balance.

Recommendation for Correction: Monies can be transferred between activity fund accounts, as long as money generated by the students goes back to benefiting the students. Monies generated for a specific purpose must be spent on the intended purpose.

Any monies transferred to cover deficit balances shall be reimbursed by the deficit account when funds become available. Closer monitoring of activity fund account ending balances before signing off on purchase orders will decrease the chances of accounts becoming deficit.

Management Response to the Recommendation: Principal and bookkeeper will monitor the activity fund account to ensure there are no deficits.

WRIGLEY ELEMENTARY

10-15

Statement of Condition: Paid invoices are not consistently being filed in check numerical order by month.

Recommendation for Correction: The school treasurer shall file all documents for a disbursement together by month, in check numerical order.

Management's Response to the Recommendation: The school treasurer will make sure to double check that invoices are in check numerical order by month. The principal will check to make sure that is completed.

11-15

Statement of Condition: The Principal is not consistently dating the bank statement after review.

Recommendation for Correction: The Principal should sign and date the front page of the bank statement after a complete review.

Management Response to the Recommendation: The principal will consistently sign and date the front page of the bank statement. The secretary will double check to make sure it is completed

EAST VALLEY ELEMENTARY

12-15

Statement of Condition: Instances of multiple sources of receipts being combined on one receipt and not writing a receipt to each staff member or source turning in monies.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer. The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation: Each individual who turns in monies will be given a written receipt produced by our computer system and signed by the school treasurer.

13-15

Statement of Condition: Paid invoices are not consistently being filed in check numerical order by month.

Recommendation for Correction: The school treasurer shall file all documents for a disbursement together by month, in check numerical order.

Management's Response to the Recommendation: The school treasurer will file paid invoices in numerical check order for each month.

EZEL ELEMENTARY

14-15

Statement of Condition: Purchase Orders are being utilized; however there were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: All Purchase Orders will be prepared and approved before purchases is made. Our office will begin using the EPES Program to issue purchase orders.

SCHOOL-WIDE

15-15

Statement of Condition: Prior year student activity money was transferred to district activity money in Fund 21.

Recommendation for Correction: All district activity money should be deposited into a District Activity Account at the school and swept into the District bank account monthly. All student activity money must be deposited into the correct student activity account at the school level. All student activity money must comply with Redbook guidelines.

Management Response to the Recommendation: Funds collected at the school level that is for District Activity Accounts will be deposited into school level District Activity Accounts during the month. At the end of the month, those funds will be swept into the District Activity Accounts in the District Bank Account. All student activity money will remain at the school level per Redbook guidelines.

Central Office

16-15

Statement of Condition: During our testing of payroll, we noted the completion of I-9's and required supporting documentation was not consistent.

Recommendation: We recommend the personnel files be reviewed for all active employees and the completion of I-9's and required supporting documentation.

Management Response to the Recommendation: All personnel files will be reviewed. Employees without completed I-9s and supporting documentation will be required to submit all required documentation.

17-15

Statement of Condition: The advertisement of your property tax rates could not be determined.

Recommendation: We recommend management review the policies and procedures over internal controls for State Audit Requirements and amend if necessary to ensure publication.

Management Response to the Recommendation: Finance officer will ensure that the approved tax rates for the district are published in the local paper.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

All prior year conditions have been implemented and corrected. Mrs. Deatrah Barnett, Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 13, 2015